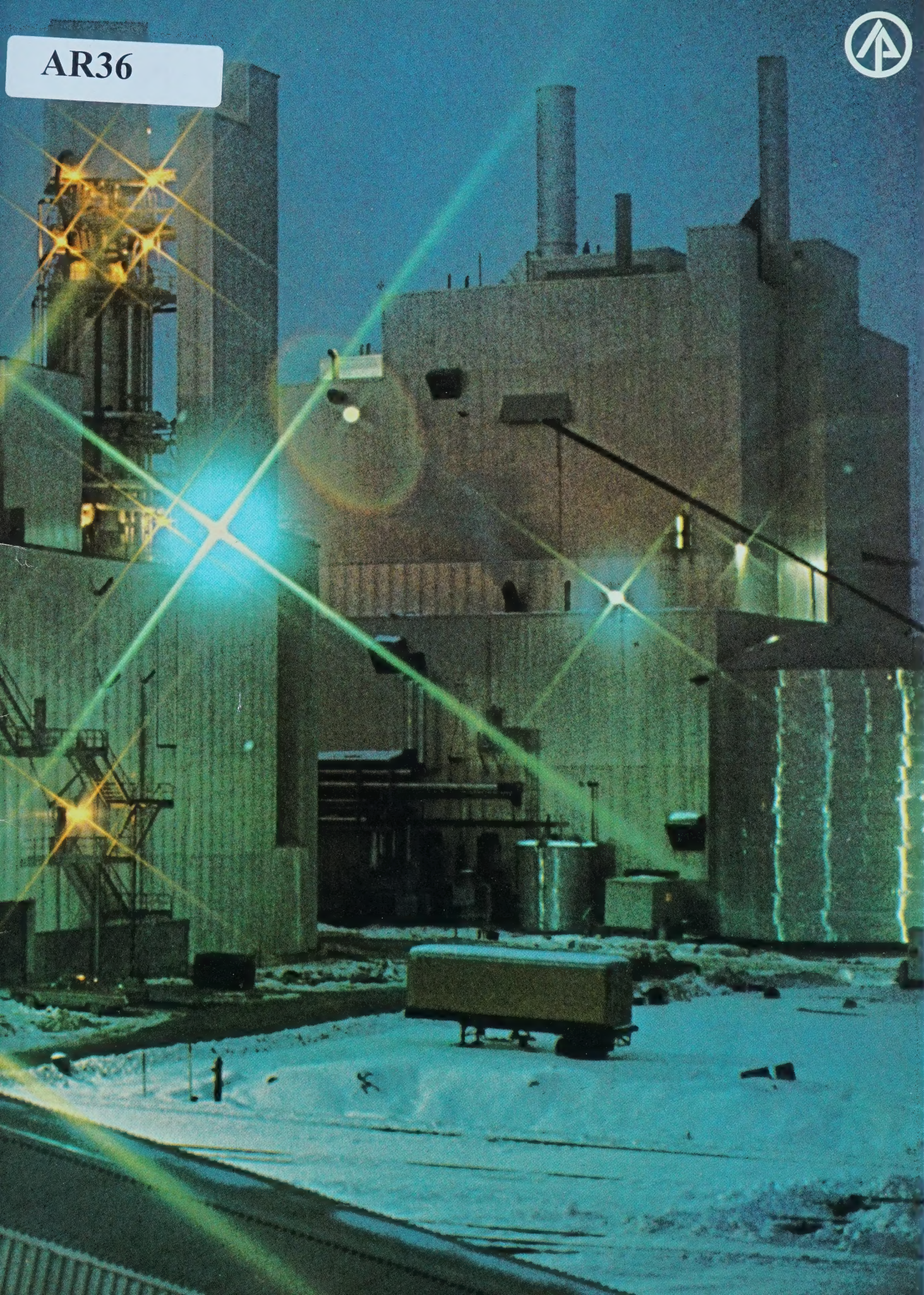


AR36



International Paper 1970 Annual Report









# International Paper Company

## Annual Report 1970



### Cover

Silhouetted against a winter sky, the new mill at Ticonderoga, New York, gleams in the twilight as it starts its productive career. This efficient, modern production unit replaces the old mill, which created environmental problems and was becoming increasingly uneconomical to operate. The new mill will provide an annual capacity of 207,000 tons of the Company's nationally known TICONDEROGA® printing and business papers. Two paper machines will be installed by early summer.

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## Directors

On February 9, 1971 the Board of Directors of International Paper Company elected Paul A. Gorman a Director, Chairman of the Board and President. As President he is also Chief Executive Officer of the Company. The Board also announced that Frederick R. Kappel, who had served as Chairman of the Board since February 1969, has become Chairman of a newly formed Executive Committee of the Board. Edward B. Hinman, who had been President and Chief Executive Officer since 1966, has relinquished his executive responsibilities, but continues as a member of the Board. Mr. Gorman served for many years with Western Electric Company, New Jersey Bell Telephone Company and American Telephone and Telegraph Company. At the end of November 1969 Mr. Gorman retired from Western Electric, where he had been President since 1964. In December 1969 he became President of Penn Central Transportation Company and was later elected Chairman and Chief Executive Officer of that company, but resigned from those positions in August 1970.

**William S. Brewster**  
Chairman of the Board, USM Corporation

**Malcolm G. Chace, Jr.**  
Former Chairman of the Board,  
Berkshire Hathaway Inc.

**George Champion**  
President, Economic Development Council  
of New York City, Inc.

**Leonard Dalsemer**  
Executive Vice President

**Paul A. Gorman**  
Chairman of the Board and President

**Judson Hannigan**  
Vice President

**Edward B. Hinman**  
Former President

**Frederick R. Kappel**  
Chairman of the Executive Committee

**Lawrence B. Kelley**  
Vice President

**John M. Kingsley**  
Director, Bessemer Securities Corporation

**Donald B. Lourie**  
Former Chairman of the Board,  
The Quaker Oats Company

**Joseph P. Monge**  
Senior Vice President and  
Chief Financial Officer

**W. B. Murphy**  
President, Campbell Soup Company

**Herman C. Nolen**  
Former Chairman of the Board,  
McKesson & Robbins, Incorporated

**Robert W. Stoddard**  
Chairman of the Board,  
Wyman-Gordon Company

**Geo. T. Ward**  
Executive Vice President

## Officers

Paul A. Gorman  
Chairman of the Board and President

Leonard Dalsemer  
Executive Vice President

Geo. T. Ward  
Executive Vice President

Joseph P. Monge  
Senior Vice President and  
Chief Financial Officer

Judson Hannigan  
Vice President – Manufacturing

Lawrence B. Kelley  
Vice President – Marketing

Arthur R. Taylor  
Vice President – Finance

Paul B. Carroll  
Vice President, Secretary and  
General Counsel

### Vice Presidents

Charles R. Beall

E. E. Ellis

Arthur P. Foster

John W. Gilbert

Fred C. Gragg

Richard H. Hinman

Thomas J. Judge

Ralph W. Kittle

Roscoe C. Masterman

Glenn A. Nesty

Arthur F. Perkins

Edmund B. Pettiss

George H. Rand

John L. Tower

John F. Wright

F. L. Foster, Jr.  
Treasurer

Kenneth H. Wanderer  
Controller

Rudolph H. Schellenberger  
Auditor

### Assistant Treasurers

John L. Bacon

Robert J. Carroll

James W. Flatley

Vincent A. Perry

J. Stanley Wilde

L. J. Richerson  
Assistant Treasurer and  
Assistant Controller

J. V. Haertel  
Assistant Controller

### Assistant Secretaries

R. H. Allen

F. Winifred Brown

Roy E. Grisham

G. A. Hobson

F. L. Patrick

John R. Shinnors

A. J. Singer

## International Paper Company Executive Offices

220 East 42nd Street  
New York, N.Y. 10017



## Stock Transfer Agents

Bankers Trust Company  
16 Wall Street  
New York, N.Y. 10015

The First National Bank of Boston  
67 Milk Street  
Boston, Massachusetts 02106

Montreal Trust Company  
777 Dorchester Boulevard West  
Place Ville Marie  
Montreal 113, P.Q., Canada

## Registrars

The Chase Manhattan Bank, N.A.  
1 Chase Manhattan Plaza  
New York, N.Y. 10015

New England Merchants National Bank  
28 State Street  
Boston, Massachusetts 02106

The Royal Trust Company  
630 Dorchester Boulevard West  
Montreal 110, P.Q., Canada



## Highlights

	1970	1969
<b>Sales</b>	\$1,840,832,000	\$1,777,251,000
<b>Earnings Before Extraordinary Items</b>	\$82,477,000	\$115,614,000
Per share of common stock	\$1.85	\$2.59
<b>Extraordinary Items, Net of Tax</b>	(\$39,600,000)*	\$ —
Per share of common stock	(\$.89)	\$ —
<b>Net Earnings</b>	\$42,877,000	\$115,614,000
Per share of common stock	\$ .96	\$2.59
<b>Depreciation and Depletion</b>	\$99,056,000	\$88,334,000
Per share of common stock	\$2.24	\$1.99
<b>Provision for Income Taxes Before Extraordinary Items</b>	\$37,300,000	\$73,100,000
Per share of common stock	\$.84	\$1.64
<b>Cash Dividends Paid on Common Stock</b>	\$66,476,000	\$65,275,000
Per share of common stock	\$1.50	\$1.50
<b>Common Shareholders' Equity</b>	\$1,085,960,000	\$1,109,885,000
Per share of common stock	\$24.50	\$25.04
<b>Working Capital</b>	\$330,148,000	\$259,401,000
<b>Long-term Liabilities</b>	\$534,087,000	\$373,482,000
<b>Production:</b>		
Paperboard, paper and market pulp — tons	6,967,391	6,994,504
Lumber — thousands of board feet	217,550	217,204
Plywood and veneer — thousands of square feet	319,896	325,476
Insulating and building boards — thousands of square feet	138,778	156,317
<b>Number of Shareholders at December 31</b>	89,718	89,527
<b>Number of Full-time Employees at December 31</b>	54,936	54,591
<b>Payroll and Employee Benefits</b>	\$545,595,000	\$506,024,000

\*Represents a reserve provided for anticipated abandonment of facilities (see Note 2, page 32).

## Letter to Shareholders

Sales for the International Paper Companies for 1970 were the highest in their history and exceeded the previous record set in 1969 by 3.6%.

The major part of the gain was the result of increased prices and not increased volume.

Demand for market pulp, paper and packaging products, which showed strength in the first six months, dropped in the last half of the year and it was necessary to curtail operations at many of our North American mills.

The effect of tight money, high interest rates and the consequent low demand for housing and other construction drastically depressed prices of the building materials manufactured by the Long-Bell Division. This adversely affected total corporate earnings.

Earnings for International Paper for 1970 declined materially from the all-time high in 1969. The significant drop occurred in the second half, reflecting the worsening economic conditions throughout the country.

Earnings for the Companies before extraordinary items amounted to \$82,477,000 (\$1.85 a share), down from \$115,614,000 (\$2.59 a share) in 1969.

Other major factors contributing to the decline in earnings were increased labor costs, reflecting wage settlements, higher material and transportation charges, and a weakening of the price structure in most segments of the business during the last half of the year.

Profits were also affected by continuing development and marketing costs for our new products and startup expenses at our new mill in Ticonderoga, New York.

In addition, our Canadian subsidiaries experienced a severe penalty in exchange profits as a result of the Canadian Government's decision to free the Canadian dollar from the pegged price of \$.92½ in relation to the U.S. dollar.

Published earnings also reflect a reserve provided to cover estimated extraordinary losses to be incurred in connection with

anticipated abandonment of facilities which are unprofitable, obsolete or unusable and cannot be made profitable by economically justifiable expenditures. It also covers facilities which do not meet environmental standards and cannot be brought into compliance for similar economic reasons.

The establishment of this reserve resulted in an extraordinary charge to 1970 earnings of \$39,600,000 (\$.89 a share) after tax effect. After this charge, net earnings amounted to \$42,877,000 (\$.96 a share), compared with 1969 net earnings of \$115,614,000 (\$2.59 a share).

Application of the formula of the Companies' Incentive Compensation Plan to 1970 earnings did not permit any incentive awards to any employee at the close of the year.

### Labor Negotiations

Early in the summer the Northern Division, the Southern Kraft Division and Canadian International Paper Company completed negotiations for new labor contracts with the unions representing hourly paid employees. Labor contracts covering most converting operations were also completed. These settlements cover a three-year period and will result in significant annual increases in labor costs, which must be offset by gains in productivity or by price increases.

Labor negotiations scheduled for 1971 involve principally the Gardiner paperboard mill in Oregon and the balance of our converting plants.

### Shelter Group

Our three subsidiaries in the land development and shelter field are: American Central Corporation, which develops and sells vacation homesites; the Donald L. Bren Company, which designs and builds planned residential communities; and Spacemakers, Inc., designers and manufacturers of leisure homes and condominiums. American Central had a record year for both sales and earnings. However, the Bren Company's earnings declined materially as a result of the depressed levels of real estate activity in southern California, where its operations are concentrated. Spacemakers, with relatively small volume, showed a small loss in 1970.

Throughout this report, unless otherwise noted, all figures are for International Paper Company and consolidated subsidiaries on a consolidated basis. Terms such as "I-P", "we" and "our Companies" refer to International Paper Company or to that Company and its subsidiaries, as required by the context.



## Environmental Programs

International Paper has pledged to do its part as an industrial citizen to control the pollution of the environment and maintain the vital quality of the basic resources of water and air we all share. Last spring the Company announced a four-year \$100 million program to combat water and air pollution at our U.S. pulp and paper mills and other manufacturing facilities. Environmental control projects approved to date will cost \$42 million and involve many of our U.S. primary pulp and paper mills.

The first phase of the new mill at Ticonderoga, New York, is now in partial operation and all operations at the old mill will be terminated during April 1971.

At the end of the year the State of Vermont filed a motion in the United States Supreme Court for leave to file a complaint against International Paper and the State of New York. In February 1971 four Vermont residents sued the Company in a class action in the Federal District Court in Vermont. Both complaints are based on alleged pollution of Lake Champlain by the old Ticonderoga mill and seek damages. The State of Vermont's action also asks for an injunction. The Company will contest both actions.

## The Year Ahead

During the early months of 1971 we faced continued unsatisfactory demand, increased costs and price weakness in most segments of our product lines. However, the outlook for the first quarter of 1971 is slightly better than results for the last quarter of 1970. We are hopeful that when the economy turns up and demand strengthens there will be a favorable impact on our earnings. Our basic business — paper and paper packaging — is not likely to improve materially until there is a clear upswing in the U.S. economy.

According to most forecasts, residential building, which was particularly weak in 1970, should show improvement in 1971. With mortgage money more readily available and interest rates lower, an upturn in new residential starts in 1971 could benefit our Long-Bell Division and our real estate operations.

The Companies' operating plans for 1971 include a reduction in overhead costs for the woodlands, manufacturing, marketing and administrative functions.

We have also cut back capital expenditures during 1971 — some plans have been canceled, some curtailed and some deferred. Capital expenditures in 1971 will total about \$100 million, down about \$103 million from 1970.

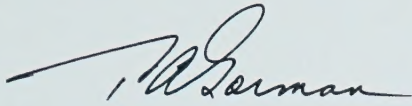
We are hopeful that business will improve as the year progresses and that 1971 will be a better year than 1970. International Paper's broad base of installed primary capacity; its substantial share in fast-growing overseas markets; and its large timberland base all place your Companies in a position to benefit in a period of renewed economic growth.





### A Word About Our People

The thousands of loyal men and women in our mills, plants and woodlands, and in our sales and administrative offices have made many fine contributions to the operation of the Companies in the difficult year of 1970. To them we extend our sincere thanks.



Chairman of the Board and President

February 19, 1971

A snowy landscape accents the two 105-foot primary clarifiers at the new Ticonderoga mill which play an important role in protecting the environmental quality of the lower Lake Champlain area. All waste water from the mill goes first to these clarifiers, where all settleable solids are removed and returned to the mill, where they are dewatered and burned in the mill's boilers. The boilers are equipped with highly efficient protective devices which control particulate emissions.





## International Paper Companies

### Primary Production (tons)

	1970	1969
Paperboard:		
Container board	1,895,032	1,970,329
Bleached board	955,579	989,574
Total paperboard	2,850,611	2,959,903
Newsprint	1,276,046	1,251,774
Printing, writing and other bleached papers	879,963	940,923
Industrial and miscellaneous papers	655,985	674,058
Market pulp	1,304,786	1,167,846
Total	6,967,391	6,994,504

Pulp figures include shipments to mills of the Companies for their own use as follows: 107,174 tons in 1970 and 43,145 tons in 1969.

### Converted Paper Products (tons)

1970	1,700,284
1969	1,584,976

Substantially all of this converted tonnage was fabricated from board and paper produced at the Companies' own mills and included in the Primary Production table.

### Ten-Year Summary of Primary Production (tons)

Year	Paperboard and Paper	Market Pulp	Total
1970	5,662,605	1,304,786	6,967,391
1969	5,826,658	1,167,846	6,994,504
1968	5,546,689	1,151,918	6,698,607
1967	5,119,871	1,103,476	6,223,347
1966	5,239,217	1,147,071	6,386,288
1965	4,676,689	1,103,754	5,780,443
1964	4,548,701	1,135,036	5,683,737
1963	4,289,721	980,017	5,269,738
1962	4,184,144	852,175	5,036,319
1961	4,087,181	768,347	4,855,528

### Building Materials

	1970	1969
Lumber		
(thousands of board feet)	217,550	217,204
Plywood and veneer		
(thousands of square feet — $\frac{3}{8}$ -inch basis)	319,896	325,476
Insulating and building boards		
(thousands of square feet — $\frac{1}{2}$ -inch basis)	138,778	156,317



A 14-acre, 67-million-gallon lagoon was constructed near the new mill at Ticonderoga to provide secondary treatment for the mill's waste water. At full operation 21 million gallons of water will flow daily through this lagoon, where natural bacterial action will remove 90% of the oxygen demand. Twelve floating aerators replenish the dissolved oxygen consumed in the process and provide mixing and cooling of the water. The treated water is then released to secondary clarifiers for final treatment.

Construction is proceeding on two 900-ton chemical-recovery boilers and related air-quality control systems at the mill in Panama City, Florida. When completed, this important project—part of I-P's \$100 million environmental control program—will virtually eliminate the serious problems of air quality that have been associated with the mill.





## Operating Review

### Major Mill Projects

The first phase of the \$76 million pulp and paper mill being constructed at Ticonderoga, New York, was completed during 1970. The new pulp mill and the first of two paper machines are in operation. The paper machine is expected to achieve its designed production rate by the middle of 1971. Installation of the second paper machine will be completed by early summer.

The new mill replaces the old Ticonderoga mill with a modern, efficient production unit. It will make the same grades of high-quality printing and business papers manufactured for years at Ticonderoga and will have an annual capacity of 207,000 tons, a net addition of 94,000 tons over the old mill's capacity.

The mill utilizes the latest technology and equipment designed to minimize fiber or chemical loss at any point — from the woodyard through pulp cooking, chemical recovery, papermaking, primary and secondary treatment of waste water and control of air emissions.

On December 1, 1970 the pulp mill, bleach plant and chemical-recovery system at the old mill were shut down in accordance with an agreement with New York State environmental authorities. This eliminated the major part of the waste-water discharge and particulate emission into the air from the old mill.

During April 1971 the old mill will be completely shut down and the two small paper machines still operating there will be taken out of production. This changeover is being accomplished without interruption of employment in the Ticonderoga area, where I-P has been the major industrial employer for many years.

Construction of the pulp and paperboard mill at Texarkana, Texas, is continuing and startup is now planned for early 1973. The mill will produce 154,000 tons annually of bleached specialty boards used for packaging foods, a major portion of which is intended for use in our own converting operations to meet increasing requirements for high-quality packaging in the food and dairy industries. Texarkana will also have a capacity of 60,000 tons annually of bleached hardwood market pulps, for which there is a growing worldwide demand.





### Environmental Programs

The International Paper Companies share the general concern that the natural environment is being burdened beyond its inherent power to restore itself. In 1970 the Company announced a four-year commitment of \$100 million for further, positive, constructive steps toward solving problems of water and air quality at various I-P operations in the United States.

To date, projects amounting to \$42 million have been authorized, and construction of water- and air-treatment systems has begun at a number of the U.S. pulp and paper mills. Planning for similar projects at other locations is proceeding on schedule. When the program is completed in 1974, all of our U.S. primary mill and converting plant operations will be equipped to protect environmental quality under present Government standards.

The projects to protect water quality will vary in nature and scope. All of them will result in

removal of substantially all settleable solids from discharged waste waters. These projects will also reduce the demand for dissolved oxygen to levels that are not harmful to aquatic life and meet state and Federal standards.

To improve air quality, all of the Company's U.S. pulp and paper mills will be equipped to remove more than 99% of particulate emissions from our chemical-recovery boilers and greatly reduce the unpleasant odors that often emanate from kraft pulp mills.

Another important problem facing our modern society is the daily accumulation of waste materials, usually referred to as solid waste. In our municipalities this takes many forms, with paper a part — but only a part — of the total problem.

The paper industry, along with all industry, is directly concerned with solid-waste management as a necessary objective in achieving a quality environment. Programs are under study to develop various systems for economic waste management within industry and within municipalities of all sizes.

Substantial amounts of paper and paper products are salvaged from the solid-waste stream and recycled for secondary use every year. Almost 12 million tons of used paper were reclaimed by the U.S. pulp and paper industry last year and this total will certainly grow. Wastepaper generated in I-P's operations, such as trimmings from our packaging plants, is either recycled at I-P mills or sold to others for recycling.

It should be remembered in considering paper's role in the solid-waste problem that paper is bio-degradable and readily decomposes. Paper also aids combustion and conserves the use of natural gas and oil in controlled incineration, which may represent for years to come the most efficient method for solid-waste disposal with the least harmful environmental effect.

In another area of solid-waste management the expanding use of sawmill, plywood and woodworking plant residuals as a source of fiber in the manufacture of pulp and paper has had two notable effects: first, an important conservation of wood resources; second, a solution to a serious solid-waste disposal problem faced by the wood-products industry. Moreover, air pollution has been diminished in those areas where sawdust, slabs, edgings and plywood cores previously were disposed of by inefficient burning.

The International Paper Companies in the United States and Canada for many years





have been stressing the use of these wood residuals in papermaking. Last year wood residues utilized by I-P mills alone amounted to the equivalent of 2,152,000 cords — equal to the annual new growth on more than 2 million acres of forest land.

#### **Canadian International Paper**

A major change in logging methods to achieve more efficient timber harvesting and reduce capital requirements is being instituted by a Canadian International Paper subsidiary, New Brunswick International Paper Company, at its newsprint mill in Dalhousie.

The mill is located close to its wood supply. Under the new system the traditional, picturesque river log drive, which requires a large number of people and which has become increasingly costly, will be replaced by year-round truck delivery of freshly cut pulpwood. Use of freshly cut pulpwood results in certain efficiencies in mill

Commercial Alcohols Limited, a C-I-P subsidiary, began producing industrial alcohol last year at this new petrochemical plant in Varennes, Quebec. The plant produces top-quality ethyl alcohol for sale principally to chemical, cosmetic and pharmaceutical industries.

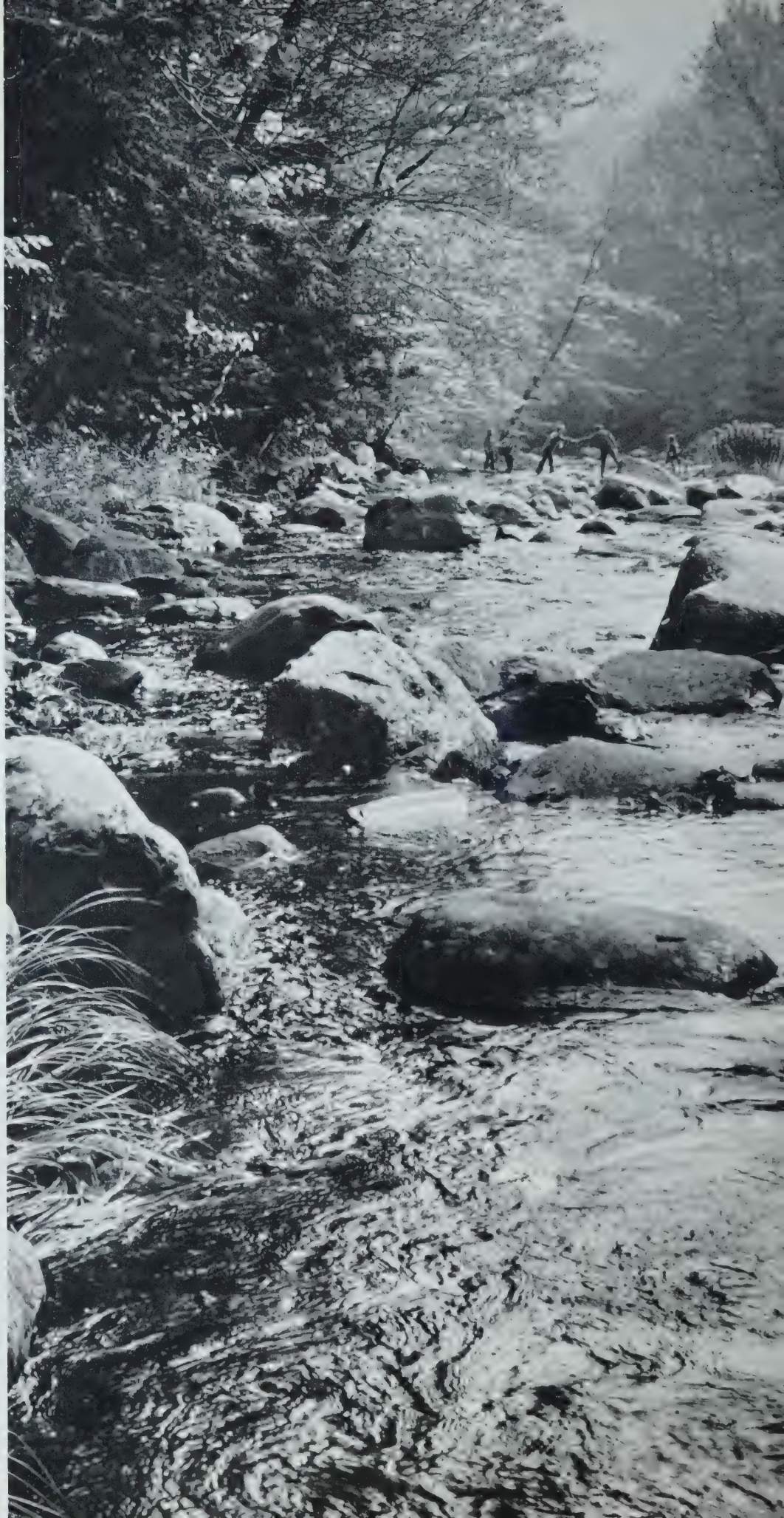
(Left) A new continuous pulp digester designed to use sawdust is now nearing completion at the mill in La Tuque, Quebec. This will permit C-I-P to use this material, which previously had been considered a waste product, in the manufacture of paper. Woodyard facilities capable of handling 93 railcars per day of sawdust and other wood residues are being installed, scheduled for startup in 1971.



Hikers in one of I-P's Northeastern tree farms cross a clear mountain stream. Forest roads, built and maintained by the Company, make these and other areas of our managed woodlands accessible to the public for a wide variety of recreational opportunities.

Many places of special historic or scenic interest on Company lands have been set aside or donated to state, community or private groups for preservation. The little girl is examining the tablet displayed at the site where Daniel Webster made a famous speech in 1840. This property, located on the Company's Stratton Mountain Tree Farm in Vermont, has been donated to the people of Vermont as an historic landmark.

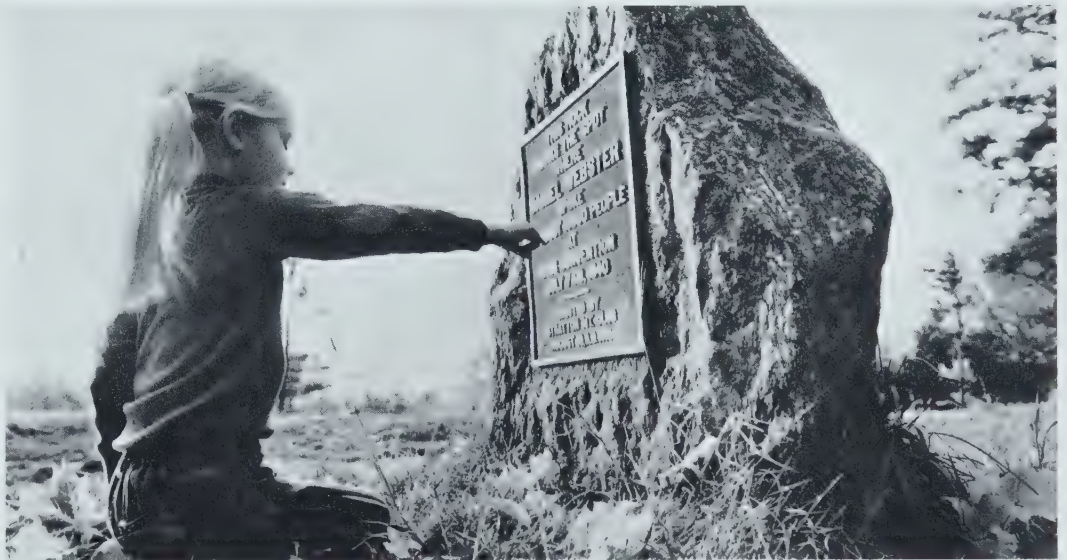
Quail and many other forms of wildlife find food and shelter in I-P managed forests. Harvested trees are quickly replaced by nature with a variety of small plants and shrubs used as food by many species of wildlife. As the new forest is established, these plants persist for a while, then gradually disappear. As the forests mature, the land is once again harvested and the growth cycle begins again.





## Multiple Use of the Forest

*The report of the President's Council on Recreation and Natural Beauty stated "Carefully nurtured and prudently harvested, the forest can continue to supply not only a thousand varieties of forest products but inspiration and recreation to Americans to whom a periodic return to the woods offers physical and spiritual renewal." The multiple-use forest management policies followed in the I-P woodlands are dedicated toward this end. In addition to providing the continuous crops of trees essential to our business, I-P forest management programs protect the watershed function of the natural forest, improve the forest's role in providing food and shelter for a great variety of wildlife and provide increasing opportunities for outdoor recreation. In 1970 more than 2 million people came to our lands to participate in such activities as hiking, skiing, picnicking, swimming, boating, water-skiing, hunting, fishing, camping, bird watching and simply enjoying the natural beauty of the forests, lakes and streams — all enhanced by sound management of these lands for today and tomorrow.*





operations and provides a better quality fiber for papermaking. In addition, costly inventories of pulpwood are no longer required to be held in the woods, in the rivers and at the mill, as in the old system based on river drives.

As elsewhere in I-P's operations, the C-I-P pulp and paper mills are making a continuing effort to increase the use of economical and readily available wood residuals as a raw material. For example, a new pulp digester equipped to use sawdust is being installed at the pulp and paperboard mill at La Tuque, Quebec. This unit will have a capacity of 350 tons of pulp per day. Additional facilities to improve handling of sawdust, purchased from independent sawmill operators, are included as part of the program. When this project is completed, about half of the La Tuque pulp production of 1100 tons per day will use wood residues as raw materials.

At the end of the year full-scale production of industrial alcohol was under way at the new petrochemical plant of C-I-P's subsidiary, Commercial Alcohols Limited, in Varennes, Quebec. This plant — the first such operation in Canada — produces top-quality ethyl alcohol from ethylene. It replaces the alcohol production units at Gatineau and Temiscaming in Quebec, which are being discontinued.

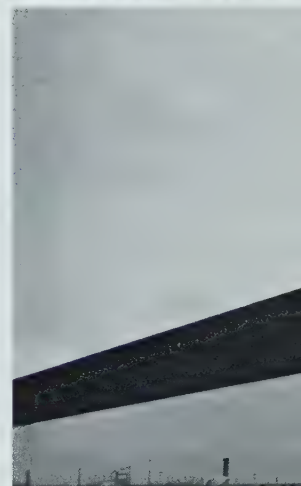
Our Canadian affiliates are working with Government officials to establish standards and timetables for programs to improve control of water and air emissions from their mills. Engineering work is now being carried out on various phases of water and air control in the C-I-P mills.

#### **Long-Bell Division**

The depressed level of the U.S. residential-building industry in 1970 largely reflected tight-money conditions. This resulted in lower prices for building products which led to a serious drop in earnings for the Long-Bell Division, adversely affecting total corporate earnings.

In anticipation of long-term growth in new housing demand, Long-Bell has made major additions to its capacity and is in a good position to participate more fully in the predicted improvement. The Division's newly constructed wood-products complexes in Nacogdoches, Texas, and Wiggins, Mississippi, have an added annual capacity of 200 million square feet of plywood, 40 million board feet of lumber and 2.3 million cubic feet of pressure-treated poles

Three of I-P's new business ventures are symbolized by these new manufacturing plants, each of which started production during 1970. Identified by their trademarks, the new facilities are: the Facelle consumer tissue products plant in Oxnard, California; the Non-Woven Products plant in Lewisburg, Pennsylvania; and the medical products plant of Davol Inc., near Providence, Rhode Island.











and lumber. These operations are designed to achieve maximum utilization of the available timber resources. Logs are directed toward their greatest economic use — for lumber, plywood, poles or piling. Wood residues are salvaged for use in papermaking.

The flakeboard plant in Greenwood, South Carolina — the Division's third in the South — has started up and has a capacity of 75 million square feet annually. Long-Bell now has an annual capacity of approximately 220 million square feet of flakeboard, an economical building product made with resin-bonded wood particles derived primarily from other woodworking operations. Flakeboard is one of the fastest-growing segments of the building-materials industry. Among its uses are siding, paneling and floor underlayments in construction, and furniture and various industrial applications.

#### **Non-Woven Products Division**

With startup last summer of the plant at Lewisburg, Pennsylvania, and installation of specialized equipment there, the Non-Woven Products Division now produces the three major

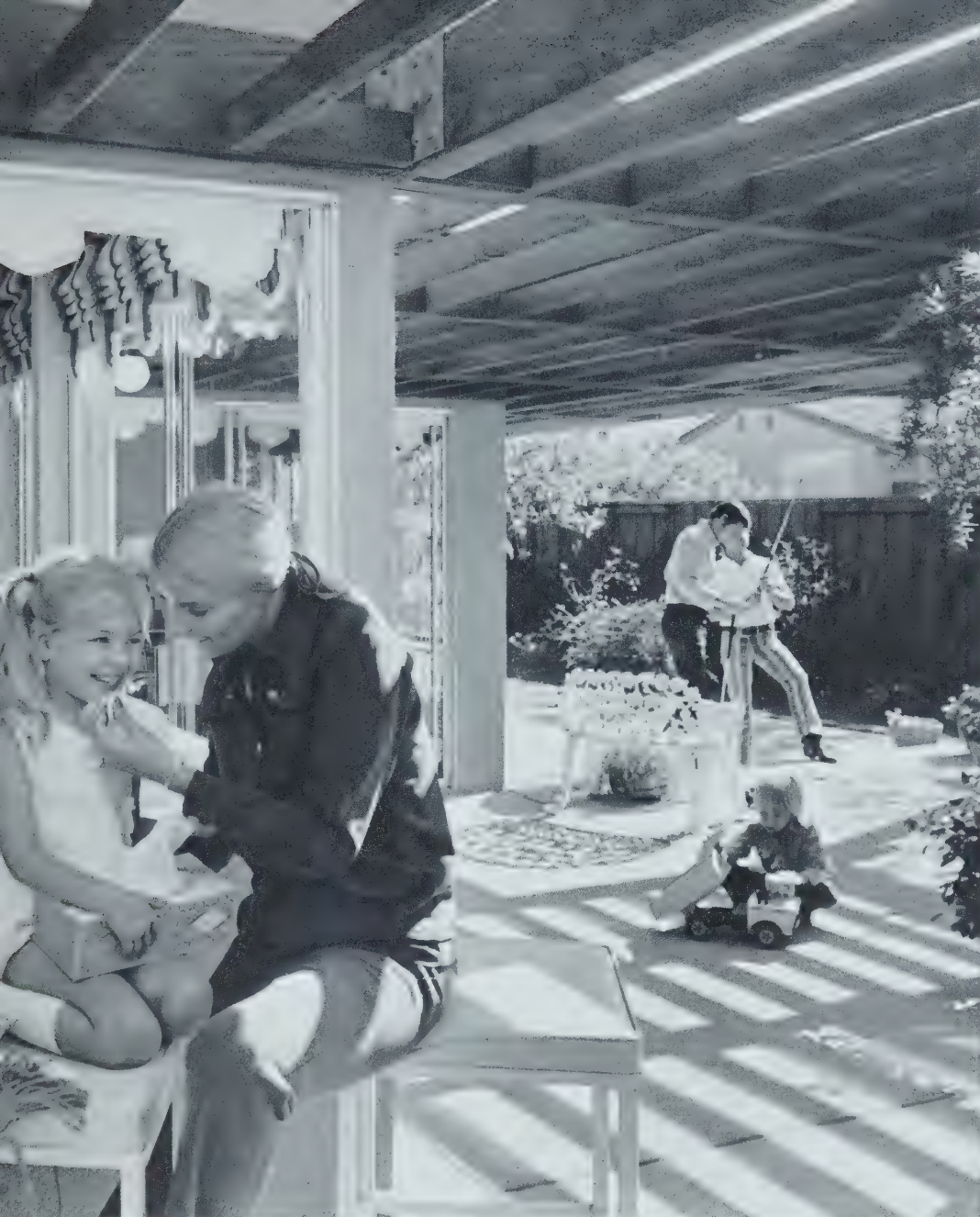


non-woven fabrics in use today — wet-formed fabrics, dry-formed fabrics and reinforced tissue laminates.

CONFIL® fabrics, the Company's high-quality, wet-formed non-woven materials, are now being manufactured and supplied in growing quantities for medical, industrial and institutional applications.

The versatile fabrics manufactured by the CONFIL process have clothlike qualities of hand and drape, and can be manufactured to meet performance requirements for a wide variety of end uses. CONFIL products can be made absorbent, water-repellent or fire-retardant and can be printed by conventional printing methods. They can be sterilized and provide an excellent bacterial barrier in garments for





(Far left) Single-use supermarket aprons made of CONFIL non-woven fabrics have found ready acceptance. The aprons are inexpensive, comfortable and stand up well to the requirements of supermarket use. Photographed in I-P's simulated supermarket area in the New York Creative Marketing Center.

FACELLE ROYALE® tissues are receiving enthusiastic response in the areas where they have been introduced. The complete line of facial and bathroom tissues, napkins and kitchen towels is available in supermarkets and drug stores throughout California and Arizona. Photographed on the patio of a model home in the Bren Company's planned community, Oakbrook Village, located in Thousand Oaks, near Los Angeles.

operating room use, and as apparel are light and comfortable to wear.

The Division's dry-formed fabrics, DRYFIL™, are soft and lightweight. They are sold to converters for use in the manufacture of diaper facings, sanitary napkin covers, infants' shirts, single-use receiving blankets for infants and in other products where softness is of primary importance.

In the third new-product area the Division's output of reinforced tissue laminates is being marketed under the brand name, NEOFIL™.





Grapes are packed for shipment in an Italian vineyard. Corrugated packaging is supplied by I- wholly owned subsidiary in Italy which is developing new markets for shipping fruits and other farm produce so that they can be delivered fresh and undamaged.

In the famous Parisian market, Le Halles, fresh fruits and vegetables of all kinds are now on display in packaging supplied by our wholly owned French subsidiary. The trend to paperboard packaging of agricultural products is worldwide—bananas and citrus fruits are among the important world commodities largely packaged in paperboard.







The *Atlantic Forest*, the second LASH vessel, has joined the *Acadia Forest* in transporting I-P's cargoes across the North Atlantic. It is shown here at dockside in the harbor at Antwerp, Belgium. The LASH system for ocean shipping has proved to be fast and efficient, delivering cargoes of I-P market pulp and container board to destinations in Great Britain and Western Europe on tight schedules and in better condition than by conventional shipping methods.

Wine is packaged by hand in a small family-operated French vineyard. Cartons for shipping wine are now being supplied by our French subsidiary to large and small vineyards, as well as for packaging a wide range of agricultural and industrial products.





I-P's unique process for forming these laminated products provides a fabric with high stretch and strength qualities. It is a premium reinforced tissue engineered to have high absorbency and to be virtually lint-free.

#### **Davol Inc.**

I-P's subsidiary, Davol Inc., has completed a new plant at Cranston, Rhode Island. It will enable Davol to expand its operations profitably in present and proposed product lines, improve customer service and strengthen its position in the medical products field.

During the past year surgical and nurses' gowns, patient drapes and other operating room articles made from the Company's non-woven fabrics have been introduced for hospital use. These products, assembled into operating room and obstetrical packs, are sterilized at the new Davol plant. They are being sold to hospitals on a nationwide basis.

Davol has long been known as a leading manufacturer of catheters and other urological and medical products. The company is a leader in the application of single-use medical products and systems, and is expanding its product line to take advantage of the rapid growth in this area. Single-use medical products and unit packaging of the different items needed to conduct various hospital or medical procedures result in better medical technique and increased patient safety.

#### **Facelle Tissue Division**

The Company successfully entered the rapidly expanding U.S. consumer tissue market in 1970 with products from the new plant in Oxnard, California. The fine quality of its FACELLE ROYALE® products — facial and bathroom tissues, napkins and kitchen towels — has received good distributor and consumer acceptance. The Facelle Division is meeting its sales goals and is expected to achieve a significant share in this growth market.

Modern mothers welcome the convenience of sanitary, single-use diapers. The Facelle Division manufactures and distributes a superior diaper marketed under the brand name, FRESHABYES®. The diapers have had good reception wherever they have been introduced.

#### **Overseas Activities**

Overseas shipments of primary products from the Companies' mills in the United States and

Canada continued to grow during 1970.

These products for offshore export are principally market pulp, newsprint and container board. In total, 1,423,000 tons of I-P's primary products were exported from the North American mills during the year.

I-P's substantial position in overseas markets, which has been built up over the years, is of increasing significance. Demand for pulp, paper and paper products is growing faster in those markets than in North America. Moreover, the Companies' principal overseas markets are in Great Britain and Western Europe, where there is an increasing shortage of local fiber supplies for papermaking. Demand in other world markets, though smaller in terms of total tonnage, is growing as fast as or faster than in these major markets.

Shipments from I-P's North American mills to affiliated overseas converting plants during 1970 amounted to 188,500 tons of primary products — principally container board. These affiliates are actively participating in the growth of paperboard packaging in the markets they serve, particularly in packaging agricultural produce of all kinds.





Contributing to our continued success in offshore markets has been the Companies' development of better transportation and distribution systems for our products. The introduction of the LASH (Lighter Aboard Ship) system of ocean transport has been successful, resulting in more economical shipment and minimum product damage. Two LASH vessels are now serving the Company. They are carrying cargoes of market pulp and container board on tight delivery schedules.

#### **Real Estate**

Although residential construction and sales were depressed in many areas of the country, demand for second-home and vacation sites continued to grow during 1970. American Central Corporation, which develops and sells land for recreational use, had its best year in both sales and earnings. New projects were undertaken by American Central at three locations and at the year-end the company had 11 vacation homesite developments in active progress, located in Delaware, Illinois, Michigan, Minnesota, North Carolina, Ohio, Pennsylvania and Virginia. Many of these developments will feature model homes designed

and manufactured by Spacemakers, Inc., another I-P subsidiary, located near Boston, Massachusetts.

The Bren Company's planned community developments are concentrated in southern California, where residential construction has been especially hard hit by the depressed conditions in the aerospace industry. The Bren operations reflected this condition. Some improvement in demand for new residential construction is forecast for southern California in 1971.



Designed and manufactured by Spacemakers, Inc., an I-P subsidiary, this attractive vacation home is one of a family of such leisure-home designs. Similar homes are now being built on land developments of American Central Corporation, another I-P subsidiary. Homes by Spacemakers feature wood construction and a modern, open design that blends naturally with rural or waterfront vacation surroundings.



## Forests and Forest Management

During 1970 the Company continued to emphasize its advanced forest management programs in the South as well as forestry programs in other divisions.

The Southern Kraft Division's Dynamic Forest program has more than one million acres under plantation management — the largest man-made forest in the world. These million acres include not only established forest lands that have been harvested and replanted but also marginal farmlands which have now been brought into production under I-P's reforestation programs.

An increasing number of the pine seedlings planted by I-P foresters every year are from genetically superior seeds produced in Company seed orchards. In the 1970-71 planting season a total of 12,650,000 supertree seedlings were planted on Company lands.

An integral part of The Dynamic Forest program is the development and use of mechanical equipment to plant, cultivate and harvest the forests. A new Company-developed tree-thinning machine is now widely used on I-P lands in the South. This machine not only thins young, dense forests to open them up for faster growth and better management but it also removes smaller trees that were formerly uneconomical to harvest.

Because of the differences in terrain, the Companies' lands in the Pacific Northwest, the Northeastern United States and in Canada do not lend themselves to the same degree of intensive plantation management practiced in the South. In these areas natural reforestation is supplemented by aerial reseeding and hand planting of seedlings.

In the Pacific Northwest the Long-Bell Division during 1970 completed the salvage of fire-killed timber on Company land in Oregon which was damaged by the Oxbow fire in 1966. The I-P land involved has been completely reforested and is again growing trees.

### Research Developments

The research divisions made special efforts during the past year to reduce through process changes the amount of polluting materials generated per ton of production. These efforts supplement the Company's major capital programs for controlling water and air quality.

At the Corporate Research Center in Sterling Forest, New York, new approaches to pulp-bleaching technology have been developed

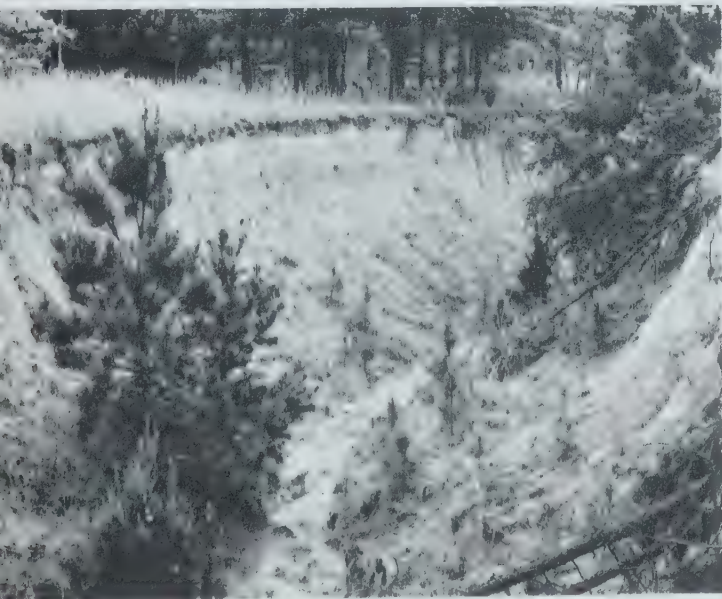


A part of I-P's one million acres of pine plantations in the South, this stand of five-year-old slash pine trees in Baldwin County, Alabama, stretches to the horizon. Growing vigorously these cultivated young trees are protected from the onslaughts of fire, insects and disease as are all of our plantations. They will be ready for harvest when they are 25 years old. In the meantime, they protect the soil, conserve moisture and provide shelter for various species of wildlife which feed on the seeds and berries growing in open areas.

This gulley on an abused, abandoned field will enlarge with every hard rain unless checked by a protective coating of vegetation. Some of I-P's one million acres of pine plantations in the South were planted on fields such as this that were non-productive and threatened with destruction by erosion.

A once-eroded field—15 years later. Today the hardest rain merely filters through the protective litter of pine needles on the floor of this man-made forest. Unprotected this forest cover, the gulley in which the I-P forester is kneeling could have quickly destroyed this now productive land.









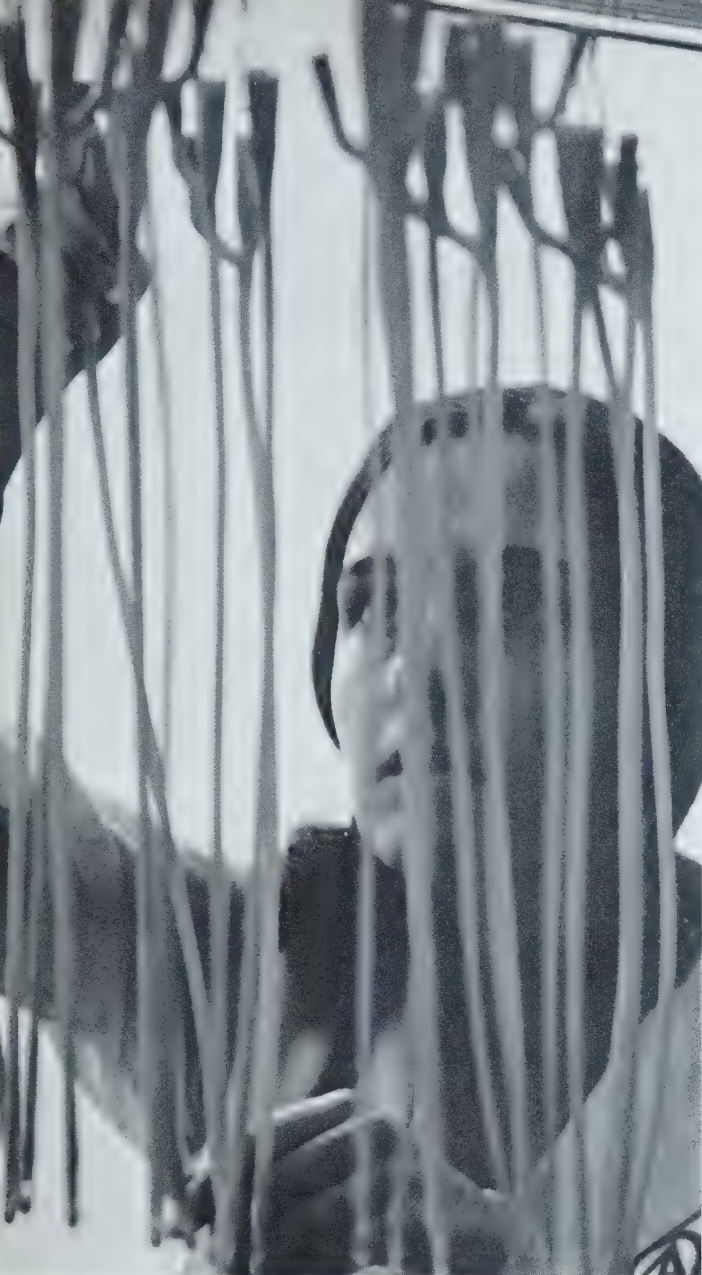
(Left) Shipment of synthetic textiles on spools, or pirns, is an existing problem, as yarns are easily damaged. In this package developed by I-P research, pirn ends are held in thermoformed polyethylene plastic sheets that fit securely in corrugated containers—preventing chafing and broken yarn ends.

(Right) Davol Inc. is the world's largest manufacturer of the Foley catheter, a device widely used in urological treatment. Research on new catheter surface structures is being conducted at Sterling Forest, New York, to improve performance in medical procedures. Here, a technician examines an experimental batch of Foley catheters manufactured at Davol.

(Below) In laboratory analysis of organic materials, specimens are often burned to reduce them to ashes so that components remaining after oxidation can be examined. This scientific device at Sterling Forest enables organic samples to be reduced to ash at low temperatures without affecting the disposition of minerals and other materials remaining in the ash.







and are expected to reach the mill-trial stage during 1971. If successful on a commercial scale these process improvements would significantly reduce generation of pollutants. In addition to these laboratory projects the Companies' research staff maintains close contact with universities and specialized industry groups which are developing advanced concepts in pollution control.

Improvements in basic non-woven technology stemming from experimental developments at Sterling Forest are leading to second- and third-generation fabrics with wide potential for many marketing applications. Availability at the Center of pilot-scale production and processing equipment for wet-formed fabrics enables laboratory advances to be moved to experimental production at the laboratory. The ability to simulate manufacturing conditions shortens the development time required for commercial introduction.

C-I-P is engaged in research in the fields of dry-formed and laminated non-woven fabrics at the Hawkesbury, Ontario laboratories of its subsidiary, CIP Research Ltd. This activity complements the wet-forming developments at Sterling Forest. A pilot plant for simulated commercial production of these improved fabrics is being installed at Hawkesbury and will be in operation this spring.

Medical product developments from Sterling Forest include improvements in the design of medical devices in Davol's product line and innovations in sterile packaging which make the package a functional part of operating room procedure.

One of the active developments in the packaging field in recent years has been progress in rigid-when-wet shipping containers for handling agricultural produce that must be precooled with water after packaging or shipped in containers packed with ice. Application of advanced polymer technology by I-P research has resulted in manufacturing improvements which will make possible more economical production of high-quality rigid-when-wet containers. These containers represent a market with substantial growth potential.



# Financial Review

## Sales and Earnings

Sales of the International Paper Companies in 1970 totaled \$1,840,832,000, an increase of \$63,581,000 or 3.6% above 1969 sales of \$1,777,251,000.

In 1970 a reserve was provided to cover estimated extraordinary losses to be incurred in connection with anticipated abandonment of facilities which are unprofitable, obsolete or unusable and cannot be made profitable by economically justifiable expenditures and of facilities which do not meet environmental standards and cannot be brought into compliance for similar economic reasons.

The establishment of this reserve resulted in an extraordinary charge to 1970 earnings of \$39,600,000 (\$.89 a share) after tax effect. After this charge, net earnings amounted to \$42,877,000 (\$.96 a share), compared with 1969 net earnings of \$115,614,000 (\$2.59 a share).

	1970	1969
Earnings before extraordinary items	\$82,477,000	\$115,614,000
Per common share	\$1.85	\$2.59
Extraordinary items after tax effect	(\$39,600,000)	\$ —
Per common share	(\$.89)	\$ —
Net earnings	\$42,877,000	\$115,614,000
Per common share	\$.96	\$2.59

## Expenses

Pre-tax profit margins were substantially lower in 1970, reflecting increased labor and materials costs as well as higher selling and administrative expenses and increased interest charges. Selling and administrative expenses include product and market development costs of our new ventures in consumer tissues and non-woven fabrics as well as the costs of our research programs. Depreciation and depletion in 1970 totaled \$99,056,000, compared with \$88,334,000 in 1969.

## Cash Dividends

Dividends for 1970 were \$1.50 per common share, the same rate as paid in 1969. Total cash dividends amounted to \$66,952,000, compared with \$65,751,000 in 1969.

## Capital Expenditures

Capital expenditures of the Company and its consolidated subsidiaries for plants, properties and woodlands totaled \$203,402,000 in 1970, compared with \$201,494,000 in 1969. In addition, the Company in 1969 purchased businesses for \$1,280,000 in cash.

## Treasury Stock

In 1970 the Company purchased 16,700 shares of its own common stock at a cost of \$645,000. In 1969 the common stock acquired totaled 316,300 shares at a cost of \$12,054,000. At the end of 1970 the balance of treasury shares held by the Company amounted to 567,622 shares at a cost of \$20,551,000.

## Debt

On March 24, 1970 the Company sold publicly \$150,000,000 of Sinking Fund Debentures maturing March 15, 1995 with an interest rate of 8.85%. This issue is non-refundable as a part of a refunding operation at a lower interest cost for 10 years from the date of the issue. Sinking fund payments commencing March 15, 1981 are calculated to retire 88.7% of the issue prior to maturity.

At the end of 1970 the Companies' short-term debt was \$103,870,000 and outstanding long-term debt was as follows:

International Paper Company — 5½% notes due 1972 to 1986	\$150,000,000
International Paper Company — 6¾% notes due 1974 to 1988	150,000,000
Canadian International Paper Company — 5½% notes due 1972 to 1986	30,000,000
International Paper Company — 8.85% sinking fund debentures due 1981 to 1995	150,000,000
Other	54,087,000
	<u>\$534,087,000</u>

## Working Capital

Working capital at December 31, 1970 was \$330,148,000, up \$70,747,000 from the year-end of 1969 as shown below:

At December 31	1970	1969
Cash and equivalent	\$ 31,379,000	\$ 43,833,000
Receivables	278,721,000	269,070,000
Inventories, etc.	296,604,000	259,336,000
Total current assets	606,704,000	572,239,000
Less:		
Short-term debt	103,870,000	138,888,000
Other current liabilities	172,686,000	173,950,000
Working Capital	<u>\$330,148,000</u>	<u>\$259,401,000</u>

## Taxes

Provision for taxes based on income before extraordinary items amounted to \$37,300,000 in 1970, including \$901,000 for the Federal Income Tax surcharge. In 1969 the provision for taxes was \$73,100,000, including \$5,433,000 for the surcharge. The investment tax credit in 1970 was \$7,423,000, compared with \$4,704,000 in 1969.



## **Auditors' Report**

### **To the Shareholders of International Paper Company:**

We have examined the consolidated balance sheets of International Paper Company (a New York corporation) and subsidiary companies as of December 31, 1970 and December 31, 1969, and the statements of consolidated earnings, retained earnings and funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Canadian International Paper Company were examined by other auditors and we were furnished with their reports on such financial statements.

In our opinion, based upon our examination and the reports of other auditors referred to above, the accompanying consolidated balance sheets and statements of consolidated earnings, retained earnings and funds present fairly the consolidated financial position of the companies as of December 31, 1970 and December 31, 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

New York, N. Y.,  
February 9, 1971.



# Consolidated Earnings Statements

## For the Years Ended December 31

1970

1969

### Income:

Net sales	\$1,840,832,000	\$1,777,251,000
Profit on foreign exchange	6,251,000	12,601,000
Other income — net	11,462,000	11,314,000
	<u>1,858,545,000</u>	<u>1,801,166,000</u>

### Costs and expenses:

Cost of goods sold exclusive of items listed below	1,323,194,000	1,245,976,000
Freight and delivery expense	139,317,000	132,427,000
Selling, general and administrative expenses	138,656,000	119,799,000
Depreciation and depletion	99,056,000	88,334,000
Interest	38,545,000	25,916,000
Income taxes — U.S. and foreign (Note 4)	37,300,000	73,100,000
	<u>1,776,068,000</u>	<u>1,685,552,000</u>

Earnings before extraordinary items	82,477,000	115,614,000
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Extraordinary items, net of applicable income tax of \$38,400,000 (Note 2)	(39,600,000)	—
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Net earnings	<u>\$ 42,877,000</u>	<u>\$ 115,614,000</u>
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### Earnings per share of common stock\*

Earnings before extraordinary items	\$ 1.85	\$ 2.59
Extraordinary items, net of tax	(.89)	—
Net earnings	<u>\$ .96</u>	<u>\$ 2.59</u>

\* Computed on basis of average number of shares outstanding — 44,317,811 shares for 1970 and 44,488,459 shares for 1969.

# Consolidated Statements of Retained Earnings

## For the Years Ended December 31

1970

1969

Balance—beginning of year	\$556,116,000	\$506,253,000
Net earnings	42,877,000	115,614,000
	<u>598,993,000</u>	<u>621,867,000</u>
Less: Cash dividends —		
\$4 preferred stock (\$4.00 per share)	476,000	476,000
Common stock (\$1.50 per share)	66,476,000	65,275,000
	<u>66,952,000</u>	<u>65,751,000</u>
Balance — end of year	<u>\$532,041,000</u>	<u>\$556,116,000</u>

The accompanying notes are an integral part of these statements.



# Consolidated Statements of Funds

For the Years Ended December 31

1970

1969

## Source of Funds:

Net earnings	\$ 42,877,000	\$115,614,000
Extraordinary items, net of deferred taxes (Note 2)	39,600,000	—
Earnings before extraordinary items	82,477,000	115,614,000
Depreciation and depletion	99,056,000	88,334,000
Deferred income taxes	20,391,000	19,401,000
	201,924,000	223,349,000
Sinking fund debentures	150,000,000	—
Other long-term borrowings	10,605,000	14,974,000
	<u>\$362,529,000</u>	<u>\$238,323,000</u>

## Application of Funds:

Cash dividends paid	\$ 66,952,000	\$ 65,751,000
Invested in plants and properties	175,522,000	187,157,000
Invested in woodlands	27,880,000	14,337,000
Notes and land contracts receivable	14,715,000	4,983,000
Purchases of common stock for treasury	645,000	12,054,000
Other applications — net	6,068,000	7,406,000
Increase <i>(decrease)</i> in working capital	70,747,000	<i>(53,365,000)</i>
	<u>\$362,529,000</u>	<u>\$238,323,000</u>

The accompanying notes are an integral part of these statements.



# Consolidated Balance Sheets

Assets at December 31	1970	1969
<b>Current Assets:</b>		
Cash	\$ 29,841,000	\$ 39,465,000
Investments — at cost which approximates market	1,538,000	4,368,000
Accounts receivable (less reserves for doubtful accounts: 1970 — \$9,165,000; 1969 — \$8,361,000)	278,721,000	269,070,000
Inventories (Note 3)	290,648,000	250,924,000
Deferred income tax effects	5,956,000	8,412,000
Total Current Assets	606,704,000	572,239,000
<b>Capital Assets:</b>		
Plants and properties (Note 4)	2,132,080,000	1,974,084,000
Less: Reserves for depreciation (Note 4)	1,072,375,000	996,516,000
Net plants and properties	1,059,705,000	977,568,000
Woodlands — net (Note 5)	171,174,000	153,762,000
Investments and advances (Note 6)	86,992,000	82,155,000
	1,317,871,000	1,213,485,000
<b>Other Assets and Deferred Charges:</b>		
Notes and land contracts receivable	41,007,000	26,292,000
Prepaid insurance and taxes	3,303,000	2,892,000
Cost in excess of assigned value of businesses acquired	53,423,000	51,668,000
Deferred charges	24,208,000	20,855,000
	121,941,000	101,707,000
Total Assets	\$2,046,516,000	\$1,887,431,000

The accompanying notes are an integral part of these statements.



<b>Liabilities and Shareholders' Equity at December 31</b>	<b>1970</b>	<b>1969</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 88,646,000	\$ 90,775,000
Notes payable	103,870,000	138,888,000
Accrued income taxes —		
U.S. Federal and state	12,607,000	17,806,000
Canadian and other foreign	2,402,000	2,159,000
Other accrued liabilities	69,031,000	63,210,000
Total Current Liabilities	276,556,000	312,838,000
<b>Long-term Liabilities</b> (Note 7)	534,087,000	373,482,000
<b>Reserves:</b>		
Insurance	7,206,000	6,827,000
Contingencies	10,066,000	11,749,000
Anticipated abandonments (Note 2)	78,000,000	—
Deferred income taxes	42,747,000	60,756,000
	138,019,000	79,332,000
<b>Shareholders' Equity</b> (Notes 8 and 9):		
Cumulative \$4 preferred stock, no par value	11,894,000	11,894,000
Common stock, \$2.50 par value	112,253,000	112,191,000
Capital from conversion of 5% preferred stock	40,430,000	40,430,000
Capital surplus	421,787,000	421,092,000
Retained earnings	532,041,000	556,116,000
	1,118,405,000	1,141,723,000
<i>Less:</i> Common shares held in treasury, at cost	20,551,000	19,944,000
	1,097,854,000	1,121,779,000
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$2,046,516,000</b>	<b>\$1,887,431,000</b>



**1. Basis of Reporting**

The consolidated financial statements include the accounts of all wholly owned domestic and foreign subsidiaries. The Companies' interests in certain immaterial majority owned subsidiaries, 50% owned companies and in all minority owned affiliated companies are shown as investments.

Foreign currency items included in the consolidated balance sheets are substantially all Canadian and have been expressed in terms of U.S. dollars as follows: capital assets acquired prior to April 30, 1962 and inventories (principally on the last-in, first-out basis) are stated at \$1.00 U.S. for the Canadian dollar; current assets (excluding inventories) and current liabilities are stated at the year-end rate of exchange; all other assets and liabilities are stated at rates of exchange in effect at the time of the transaction. Total assets of foreign subsidiaries amount to \$511,960,000 at December 31, 1970 and \$479,335,000 at December 31, 1969.

Sales of Canadian subsidiaries are in part made in U.S. dollars while most of their costs and expenses are incurred in Canadian dollars. The Canadian accounts included in the consolidated earnings statements do not differentiate between U.S. and Canadian dollars and have consistently been consolidated on that basis. All realized exchange profits or losses and the adjustments to express Canadian dollar amounts in terms of U.S. dollars, as described above, are shown separately as profit on foreign exchange.

**2. Extraordinary Items**

A reserve of \$78,000,000 before taxes (\$39,600,000 after tax effect) was provided in 1970 for estimated extraordinary losses to be incurred in connection with the anticipated abandonment of facilities which are unprofitable, obsolete or unusable and which cannot, in the opinion of management, be made profitable by economically justifiable expenditures and of facilities which do not meet environmental standards and which, in the opinion of management, cannot be brought into compliance for similar economic reasons.

### 3. Inventories

Inventories are priced generally on the following bases: (a) raw materials, finished paperboard, paper, market pulp, etc., and lumber at manufacturing plants at the lower of cost (determined substantially under the last-in, first-out method) or market value; (b) repair materials and other operating supplies, lumber products and plywood at manufacturing plants at the lower of cost (first-in, first-out or average) or market value; (c) merchandise at building-material distribution centers and retail stores, etc., at the lower of cost or market value; and (d) houses for sale and land held for development and sale at the lower of cost or market value. Inventories at December 31, 1970, by major classifications, were as follows:

Raw materials:

Pulpwood and saw logs at mills	\$30,039,000	
Logging operations in process	34,747,000	
Other raw materials	18,273,000	\$ 83,059,000

Repair materials and other operating supplies		38,963,000
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Finished products:

Paperboard, paper, market pulp, etc.	94,880,000	
Lumber, plywood and lumber products at manufacturing plants	13,476,000	108,356,000

Merchandise at building-material distribution centers and retail stores, etc.		17,953,000
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Houses for sale and land held for development and sale		42,317,000
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Total		<u>\$290,648,000</u>
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### 4. Plants and Properties

Plants and properties at December 31, 1970 were as follows:

	Cost	Reserves for Depreciation	Net
Paper and pulp mills	\$1,558,959,000	\$ 812,695,000	\$ 746,264,000
Paper converting plants	271,265,000	118,547,000	152,718,000
Sawmills, plywood and lumber product plants	111,221,000	57,763,000	53,458,000
Woods plant and equipment	97,955,000	56,599,000	41,356,000
Other properties	92,680,000	26,771,000	65,909,000
Total	<u>\$2,132,080,000</u>	<u>\$1,072,375,000</u>	<u>\$1,059,705,000</u>

The Companies compute depreciation principally on a straight-line method for financial reporting purposes and for tax purposes the Companies use accelerated methods. The use of accelerated depreciation for tax purposes results in tax deferrals which are included in deferred income taxes. The net tax deferrals (arising principally from the use of accelerated depreciation methods) included in the provision for income taxes before extraordinary items amounted to \$21,286,000 for 1970 and \$23,098,000 for 1969.

Taxes on income have been reduced by investment tax credits of \$7,423,000 in 1970 and \$4,704,000 in 1969.



**5. Woodlands**

Woodlands at December 31, 1970 were as follows:

	Acres*	Amount†
United States:		
Owned in fee	6,613,000	\$146,721,000
Held under lease or contract rights	367,000	12,550,000
Total — United States	6,980,000	159,271,000
Canada:		
Owned in fee	1,357,000	7,176,000
Held under Government license	15,140,000	4,727,000
Total — Canada	16,497,000	11,903,000
Total	23,477,000	\$171,174,000

\*As reported by the Companies.

†Stated at cost less depletion.

**6. Investments  
and Advances**

Investments and advances at December 31, 1970 were as follows:

Securities of and advances to non-consolidated affiliated companies, at cost	\$48,184,000
U.S. Government and municipal securities, at cost which approximates market	1,484,000
Other securities, at cost which approximates market	37,324,000
Total	<u>\$86,992,000</u>

**7. Long-term Liabilities**

Long-term liabilities at December 31, 1970 were as follows:

Notes payable:

International Paper Company — 5 $\frac{1}{8}$ %, due 1972 to 1986	\$150,000,000
International Paper Company — 6 $\frac{3}{8}$ %, due 1974 to 1988	150,000,000
Canadian International Paper Company — 5 $\frac{7}{8}$ %, due 1972 to 1986	30,000,000

Sinking fund debentures:

International Paper Company — 8.85%, due 1981 to 1995	150,000,000
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Other	54,087,000
Total	<u>\$534,087,000</u>

## 8. Capital Surplus

The following is a summary of transactions in capital surplus for the year ended December 31, 1970:

Balance — beginning of year	\$421,092,000
Excess of sales proceeds over par value of common shares sold under Incentive Stock Option Plan, etc.	695,000
Balance — end of year	<u>\$421,787,000</u>

## 9. Capital Stocks at December 31, 1970

	<u>\$4 Preferred*</u>	<u>Common Stock</u>
Shares authorized	400,000	72,000,000
Shares issued	230,579	44,901,386
Less: Shares in treasury (including 86,484 shares of common stock reserved for issuance under the Incentive Compensation Plan)	111,639	567,622
Shares outstanding	<u>118,940</u>	<u>44,333,764</u>

\* Callable at \$105 per share.

**Stock Option Plan** 810,842 authorized but unissued common shares are reserved under an Incentive Stock Option Plan for Key Employees. Rights to purchase 20% of the shares covered by each option accrue to the optionee on each of the first five anniversaries of the date of grant, subject to termination as defined in the Plan. The following changes in unissued shares reserved under the Plan occurred in 1970:

	<u>Under Option</u>	<u>Available for Grant</u>
Balance — beginning of year	145,997	689,945
Changes during 1970 — add or (deduct):		
Shares issued on exercise of options	(25,100)	—
Shares applicable to options terminated	(1,740)	1,740
Balance — end of year	<u>119,157</u>	<u>691,685</u>

The original option price was 100% of the last sale price on the New York Stock Exchange on the date of grant for those options granted after 1964; 95% for those granted in prior years. Prices on options outstanding at December 31, 1970, adjusted for stock dividends subsequent to grant dates, ranged from \$26.50 to \$38.00 per share, and averaged \$32.98.

**Contingently Issuable Shares** Under the provisions of contracts entered into in connection with acquisitions in prior years, approximately 1,000,000 shares of common stock are issuable from 1971 through 1974, provided certain increased earnings levels are achieved by the acquired companies.

## 10. Retirement Plans

Reference is made to page 40 with respect to status of the employees' retirement plans.

## 11. Litigation

In the opinion of management the outcome of litigation involving the Company and its subsidiaries, including the litigation with respect to alleged pollution of Lake Champlain referred to on page 6 of this report, will not be such as to have a material effect on the Company's financial condition.



**Consolidated  
Earnings Data**  
(000 Omitted)

	1970	1969	1968	1967
Sales	\$1,840,832	\$1,777,251	\$1,574,285	\$1,421,415
Other Income Items	\$ 17,713	\$ 23,915	\$ 20,417	\$ 19,032
Depreciation and Depletion	\$ 99,056	\$ 88,334	\$ 84,506	\$ 77,036
Provision for Income Taxes	\$ 37,300	\$ 73,100	\$ 61,742	\$ 44,141
Earnings Before Extraordinary Items	\$ 82,477	\$ 115,614	\$ 99,979	\$ 89,921
Extraordinary Items, Net of Tax	(39,600)	—	—	—
Net Earnings	\$ 42,877	\$ 115,614	\$ 99,979	\$ 89,921

**Cash Dividends Paid**  
(000 Omitted)

On Preferred Stock	\$ 476	\$ 476	\$ 476	\$ 476
On Common Stock	66,476	65,275	60,311	58,836
Total	\$ 66,952	\$ 65,751	\$ 60,787	\$ 59,312

**Stock Dividends Paid**

On Common Stock	—	—	—	—
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**Statistics Per Share  
of Common Stock**

Provision for Income Taxes Before Extraordinary Items*	\$ .84	\$ 1.64	\$ 1.38	\$ 1.00
Earnings Before Extraordinary Items*	\$ 1.85	\$ 2.59	\$ 2.23	\$ 2.04
Extraordinary Items, Net of Tax*	(.89)	—	—	—
Net Earnings*	\$ .96	\$ 2.59	\$ 2.23	\$ 2.04
Cash Dividends	\$ 1.50	\$ 1.50	\$ 1.38 <sup>3</sup> / <sub>4</sub>	\$ 1.35

\* Computed on basis of average number of shares outstanding during each year.

1966	1965	1964	1963	1962	1961
<u>\$1,455,265</u>	<u>\$1,308,803</u>	<u>\$1,250,132</u>	<u>\$1,147,718</u>	<u>\$1,095,841</u>	<u>\$1,044,828</u>
<u>\$ 17,378</u>	<u>\$ 20,047</u>	<u>\$ 15,852</u>	<u>\$ 21,034</u>	<u>\$ 11,777</u>	<u>\$ 13,656</u>
<u>\$ 79,734</u>	<u>\$ 89,211</u>	<u>\$ 80,097</u>	<u>\$ 72,402</u>	<u>\$ 70,707</u>	<u>\$ 59,248</u>
<u>\$ 83,654</u>	<u>\$ 63,573</u>	<u>\$ 67,414</u>	<u>\$ 64,059</u>	<u>\$ 58,120</u>	<u>\$ 62,544</u>
<u>\$ 105,765</u>	<u>\$ 89,103</u>	<u>\$ 81,784</u>	<u>\$ 69,864</u>	<u>\$ 67,070</u>	<u>\$ 72,005</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 105,765</u>	<u>\$ 89,103</u>	<u>\$ 81,784</u>	<u>\$ 69,864</u>	<u>\$ 67,070</u>	<u>\$ 72,005</u>
<u>\$ 481</u>	<u>\$ 525</u>	<u>\$ 573</u>	<u>\$ 625</u>	<u>\$ 665</u>	<u>\$ 712</u>
<u>54,013</u>	<u>54,557</u>	<u>50,689</u>	<u>45,062</u>	<u>44,721</u>	<u>43,112</u>
<u>\$ 54,494</u>	<u>\$ 55,082</u>	<u>\$ 51,262</u>	<u>\$ 45,687</u>	<u>\$ 45,386</u>	<u>\$ 43,824</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>
<u>\$ 1.90</u>	<u>\$ 1.45</u>	<u>\$ 1.53</u>	<u>\$ 1.46</u>	<u>\$ 1.32</u>	<u>\$ 1.43</u>
<u>\$ 2.39</u>	<u>\$ 2.01</u>	<u>\$ 1.85</u>	<u>\$ 1.58</u>	<u>\$ 1.51</u>	<u>\$ 1.63</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 2.39</u>	<u>\$ 2.01</u>	<u>\$ 1.85</u>	<u>\$ 1.58</u>	<u>\$ 1.51</u>	<u>\$ 1.63</u>
<u>\$ 1.23<sup>3</sup>/<sub>4</sub></u>	<u>\$ 1.25</u>	<u>\$ 1.16<sup>1</sup>/<sub>4</sub></u>	<u>\$ 1.03</u>	<u>\$ 1.03</u>	<u>\$ .99</u>



**Consolidated  
Balance Sheet  
Statistics**

(000 Omitted)

(At December 31)	1970	1969	1968	1967
<b>Assets (less liabilities):</b>				
Current assets —				
Cash and equivalent	\$ 31,379	\$ 43,833	\$ 74,195	\$ 50,746
Receivables — net	278,721	269,070	212,266	182,935
Inventories, etc.	296,604	259,336	251,399	218,939
Total current assets	606,704	572,239	537,860	452,620
Less: Current liabilities	276,556	312,838	225,094	213,809
Working capital	330,148	259,401	312,766	238,811
Capital assets —				
Plants and properties — net	1,059,705	977,568	869,113	797,615
Woodlands — net	171,174	153,762	152,765	155,763
Investments and advances	86,992	82,155	79,666	38,104
Total capital assets	1,317,871	1,213,485	1,101,544	991,482
Other assets and deferred charges	121,941	101,707	85,165	41,504
Long-term liabilities	(534,087)	(373,482)	(358,508)	(180,913)
<b>Total</b>	<u>\$1,235,873</u>	<u>\$1,201,111</u>	<u>\$1,140,967</u>	<u>\$1,090,884</u>
<b>Reserves and Shareholders' Equity:</b>				
Reserves	\$ 138,019	\$ 79,332	\$ 58,192	\$ 41,777
Shareholders' equity —				
Preferred	11,894	11,894	11,894	11,894
Common	1,085,960	1,109,885	1,070,881	1,037,213
<b>Total</b>	<u>\$1,235,873</u>	<u>\$1,201,111</u>	<u>\$1,140,967</u>	<u>\$1,090,884</u>
<b>Equity Per Common Share *</b>	<u>\$ 24.50</u>	<u>\$ 25.04</u>	<u>\$ 24.01</u>	<u>\$ 23.16</u>

\*Computed on basis of number of shares outstanding at the end of each year.

1966	1965	1964	1963	1962	1961
\$ 90,373	\$ 94,621	\$112,163	\$131,924	\$138,784	\$131,313
178,043	158,138	147,962	124,982	104,781	108,123
193,016	180,564	169,263	165,172	167,978	161,701
461,432	433,323	429,388	422,078	411,543	401,137
179,925	160,042	154,797	144,990	140,932	145,431
281,507	273,281	274,591	277,088	270,611	255,706
653,329	576,144	537,558	506,962	479,591	473,173
138,626	95,615	98,301	98,306	104,362	102,821
27,051	25,489	22,919	18,925	18,830	18,089
819,006	697,248	658,778	624,193	602,783	594,083
32,936	27,981	27,117	26,260	24,134	22,236
(78,810)	(2,449)	(2,241)	(1,108)	(188)	(143)
\$1,054,639	\$996,061	\$958,245	\$926,433	\$897,340	\$871,882
\$ 31,630	\$ 22,894	\$ 18,742	\$ 17,388	\$ 11,891	\$ 7,846
11,894	12,454	13,574	14,995	16,234	17,104
1,011,115	960,713	925,929	894,050	869,215	846,932
\$1,054,639	\$996,061	\$958,245	\$926,433	\$897,340	\$871,882
\$ 22.99	\$ 21.83	\$ 21.05	\$ 20.36	\$ 19.80	\$ 19.31



## Status of Employees' Retirement Plans

At December 31, 1970 a total of 40,162 employees, representing approximately 86% of those eligible, were enrolled under the retirement plans of the United States and Canadian companies and 7,045 retired employees were receiving benefits. The Companies' accrued pension costs are funded and these funds are not part of the assets of the Companies.

	Year 1970	Total to December 31, 1970
Balance of funds — beginning of periods	\$343,011,000	\$ —
Contributed by the Companies:		
For prior service benefits *	1,962,000	24,148,000
For current service benefits	14,489,000	169,333,000
Total contributions by the Companies	16,451,000	193,481,000
Contributed by employees *	2,988,000	103,781,000
Earned by funds — net	999,000	130,607,000
	363,449,000	427,869,000
Less: Paid for retirement allowances and purchase of annuities	10,451,000	74,871,000
Balance of funds — end of periods	<u>\$352,998,000</u>	<u>\$352,998,000</u>

\* As part of the labor agreements concluded in 1970 covering U.S. employees, accrued pension benefits were increased and the pension plan was made non-contributory. The most significant effect of these and other changes in the pension plan was to increase past service costs to approximately \$60,200,000 which will be funded over periods not exceeding 30 years.

## Papers Used for This Annual Report

	The Cover	The Text Pages	The Envelope
<b>Paper</b>	Springhill® Gloss Bristol Coated two sides	IP Web®	Gator-Hide®
<b>Finish</b>	Gloss	Gloss	Standard
<b>Weight</b>	24 x 36 — 145/500 10 point caliper	25 x 38 — 70/500	17 x 22 — 32/500
<b>Made at I-P's</b>	Moss Point, Mississippi mill	Hudson River, New York mill	Louisiana mill in Bastrop
<b>Printing Process</b>	Offset lithography	Web offset lithography	Offset lithography
	The base stock of this printing grade is made with an unusual levelness of surface, which is reflected in a coated sheet that imparts a smooth feel and a high gloss. A uniform affinity for ink gives consistently top printing performance. This economical, all-purpose bristol has excellent folding qualities, a high bright color and toughness, and is ideal for die-cutting. The covers have been lacquered.	The text pages in this report have been produced on IP Web® Gloss, a groundwood coated paper made at our Hudson River mill in Corinth, New York. It is designed for web offset printing, with optical and surface qualities that provide outstanding color reproduction and high press performance. It is often seen in quality catalogs, brochures and magazines that require impressive color reproductions.	This smooth, bleached kraft paper, with good printability, is especially suitable where the qualities of strength and high brightness are required. It is also available in golden, manila and gray, and in other weights. It can be used with outstanding results in any of the three principal printing processes — offset lithography, letterpress or gravure. It has long been recognized as a top-grade paper of proven performance.

Major photography by Arthur Schatz









